

Federal Housing Finance Board

§ 960.8

(G) *Second District priority—defined housing need in the District.* The satisfaction of a housing need in the Bank's District, as defined and recommended by the Bank's Advisory Council and adopted by the Bank's board of directors and set forth in the Bank's AHP implementation plan. The Bank may, but is not required to, use one of the criteria listed in paragraph (b)(4)(iv)(F) of this section, provided it is different from the criterion or criteria adopted by the Bank under paragraph (b)(4)(iv)(F) of this section.

(H) *AHP subsidy per unit.* The extent to which a project proposes to use the least amount of AHP subsidy per AHP-targeted unit. In the case of an application for a project financed by a subsidized advance, the total amount of AHP subsidy used by the project shall be estimated based on the Bank's cost of funds as of the date on which all applications are due for the funding period in which the application is submitted. For purposes of this scoring criterion, applications for owner-occupied projects and rental projects may be scored separately.

(I) *Community stability.* The promotion of community stability, such as by rehabilitating vacant or abandoned properties, being an integral part of a neighborhood stabilization plan approved by a unit of state or local government, and not displacing low- or moderate-income households, or if such displacement will occur, assuring that such households will be assisted to minimize the impact of such displacement.

(5) *Approval of applications—(i) Approval by Bank's board.* The board of directors of each Bank shall approve applications in descending order starting with the highest scoring application until the total funding amount for the particular funding period, except for any amount insufficient to fund the next highest scoring application, has been allocated. The board of directors also shall approve at least the next four highest scoring applications as alternates and, within one year of approval, may fund such alternates if any previously committed AHP subsidies become available.

(ii) *No delegation.* A Bank's board of directors shall not delegate to Bank of-

ficers or other Bank employees the responsibility to approve or disapprove AHP applications.

§960.7 Modifications of applications prior to project completion.

(a) *Modification procedure.* Prior to final disbursement of funds to a project from all funding sources, a Bank, in its discretion, may approve in writing a modification to the terms of an approved application for subsidy funding the project if there is or will be a change in the project that materially affects the facts under which the application was originally scored and approved under the Bank's competitive application program, provided that:

(1) The project, incorporating any such changes, would meet the eligibility requirements of §960.5(b);

(2) The application, as reflective of such changes, continues to score high enough to have been approved in the funding period in which it was originally scored and approved by the Bank; and

(3) There is good cause for the modification.

(b) *Modifications involving a subsidy increase.* Modifications involving an increase in AHP subsidy shall be approved or disapproved by a Bank's board of directors. The authority to approve or disapprove such requests shall not be delegated to Bank officers or other Bank employees.

§960.8 Procedure for funding.

(a) *Disbursement of subsidies to members.* (1) A Bank may disburse AHP subsidies only to institutions that are members of the Bank at the time they request a draw-down of subsidy.

(2) If an institution with an approved application for AHP subsidy fails to obtain or loses its membership in a Bank, the Bank may disburse subsidies to a member of such Bank to which the institution has transferred its obligations under the approved application, or the Bank may disburse subsidies through another Bank to a member of that Bank that has assumed the institution's obligations under the approved application.

(b) *Homeownership set-aside programs—* (1) *Time limit on use of subsidies.* If homeownership set-aside funds are not

drawn down and used by eligible households within the period of time specified by the Bank in its AHP implementation plan, the Bank shall cancel the application for funds and make the funds available for other applicants for homeownership set-aside funds or for other AHP-eligible projects.

(2) *Member certification upon disbursement.* Prior to disbursement of homeownership set-aside funds by a Bank to a member, the Bank shall require the member to certify that:

(i) The funds received from the Bank will be provided to a household meeting the eligibility requirements of § 960.5(a)(2);

(ii) If the member is providing mortgage financing to the household, the member will provide financial or other incentives in connection with such mortgage financing, and the rate of interest, points, fees, and any other charges by the member will not exceed a reasonable market rate of interest, points, fees, and other charges for a loan of similar maturity, terms, and risk; and

(iii) Funds received from the Bank for homebuyer counseling costs will be provided according to the requirements of § 960.5(a)(7).

(c) *Competitive application program—*

(1) *Time limit on use of subsidies.* If AHP subsidies approved for a project under a Bank's competitive application program are not drawn down and used by the project within the period of time specified by the Bank in its AHP implementation plan, the Bank shall cancel its approval of the application for the subsidies and make the subsidies available for other AHP-eligible projects.

(2) *Compliance upon disbursement of subsidies.* A Bank shall verify prior to its initial disbursement of subsidies for an approved project, and prior to each disbursement thereafter, that the project meets the eligibility requirements of § 960.5(b) and all obligations committed to in the approved application.

(3) *Changes in approved AHP subsidy amount where a direct subsidy is used to write down prior to closing the principal amount or interest rate on a loan.—*(i) *Change in subsidy amount.* If a member is approved to receive a direct subsidy to write down prior to closing the prin-

cipal amount or the interest rate on a loan to a project and the amount of subsidy required to maintain the debt service cost for the loan decreases from the amount of subsidy initially approved by the Bank due to a decrease in market interest rates between the time of approval and the time the lender commits to the interest rate to finance the project, the Bank shall reduce the subsidy amount accordingly. If market interest rates rise between the time of approval and the time the lender commits to the interest rate to finance the project, the Bank may, in its discretion, increase the subsidy amount accordingly.

(ii) *Reconciliation of AHP fund.* If a Bank reduces the amount of AHP subsidy approved for a project, the amount of such reduction shall be returned to the Bank's AHP fund. If a Bank increases the amount of AHP subsidy approved for a project, the amount of such increase shall be drawn first from any currently uncommitted or repaid AHP subsidies and then from the Bank's required AHP contribution for the next year.

§ 960.9 Modifications of applications after project completion.

Modification procedure. After final disbursement of funds to a project from all funding sources, a Bank, in its discretion, may approve in writing a modification to the terms of an approved application for subsidy funding the project, other than an increase in the amount of subsidy approved for the project, if there is or will be a change in the project that materially affects the facts under which the application was originally scored and approved under the Bank's competitive application program, provided that:

(a) The project is in financial distress, or is at substantial risk of falling into such distress;

(b) The project sponsor or owner has made best efforts to avoid noncompliance with the terms of the application for subsidy and the requirements of this part;

(c) The project, incorporating any material changes, would meet the eligibility requirements of § 960.5(b); and

(d) The application, as reflective of such changes, continues to score high